

ALLEGAN FIRE DISTRICT
ALLEGAN COUNTY, MICHIGAN
FINANCIAL STATEMENTS
TEN MONTHS ENDED DECEMBER 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Allegan Fire District	County Allegan County
Fiscal Year End December 31, 2006	Opinion Date May 23, 2007	Date Audit Report Submitted to State 6/20/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

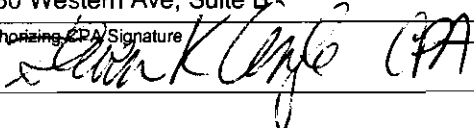
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Angle & Steffes, P.C.		Telephone Number 269-686-9050		
Street Address 430 Western Ave, Suite B		City Allegan	State MI	Zip 49010
Authorizing CPA Signature 		Printed Name Steven K. Angle, CPA		License Number 14653

ALLEGAN FIRE DISTRICT

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INDEPENDENT AUDITOR'S REPORT

May 23, 2007

To The Allegan Fire District's Fire Board
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Allegan Fire District, Allegan County, Michigan as of and for the ten months ended December 31, 2006, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Allegan Fire District, Allegan County, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Allegan Fire District as of December 31, 2006, and the respective changes in financial position, thereof for the ten months then ended in conformity with accounting principles generally accepted in the United States of America.

The Allegan Fire District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

The management's discussion and analysis and budgetary comparison information on pages 2 and 16 through 17 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,


Angle & Steffes, P.C.
Certified Public Accountants



ALLEGAN FIRE DISTRICT

ESTABLISHED 2006

MANAGEMENT DISCUSSION & ANALYSIS

This report represents an accurate view of the operations of the Allegan Fire District for the year ended 12/31/06. This report consists of a series of financial statements that detail the fiscal liquidity of the Allegan Fire District and the fiduciary responsibility of the Allegan Fire District board and its Fire Chief. In the first year of operation, the Allegan Fire District was able to set aside substantial monies for the purpose of updating our fire fighting equipment and we were also able to carry over an operational fund balance into 2007.

The Allegan Fire District plans to access some money from the Capital Equipment Fund in 2007 to refurbish Engine 15. There are no other major projects planned from this fund in 2007 so that we can continue to save money to implement our 15 year Equipment Purchasing Plan.

The Allegan Fire District has plans to install a new heating and air conditioning system in the Allegan city station in 2007. The Fire Chief and his officers are preparing for a comprehensive ISO review in 2007, hopefully resulting in lower insurance premiums for the district residents.

Our firefighters are highly trained and the very best in the area. They responded professionally to the merger of the two departments to become one cohesive unit. The Fire Chief has done an outstanding job in assisting the Fire Board and leading his firefighters. The Allegan Fire District and the communities we serve are very fortunate to have this group of dedicated professionals responding to our emergencies.

This financial report is intended to provide our community citizens, taxpayers, customers, and investors with a general overview of the Allegan Fire District finances and to show the Fire Board's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Allegan Fire District Chairman.

Jon W. Cook, Chairman
Allegan Fire District

**ALLEGAN FIRE DISTRICT
GOVERNMENT WIDE STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 64,474	\$ 64,474
Investments	0	0
Receivables - net	44,405	44,405
Prepays	6,195	6,195
Capital assets - net	<u>0</u>	<u>0</u>
 Total Assets	 <u>115,074</u>	 <u>115,074</u>
LIABILITIES		
Accounts payable	1,671	1,671
Accrued and other liabilities	43,500	43,500
Noncurrent Liabilities		
Due within one year	0	0
Due in more than one year	<u>0</u>	<u>0</u>
 Total Liabilities	 <u>45,171</u>	 <u>45,171</u>
NET ASSETS		
Invested in Capital Assets		
Net of related debt	0	0
Restricted For		
Public safety	<u>69,903</u>	<u>69,903</u>
 Total Net Assets	 <u>\$ 69,903</u>	 <u>\$ 69,903</u>

The Notes to Financial Statements are an integral part of this statement.

ALLEGAN FIRE DISTRICT
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
TEN MONTHS ENDED DECEMBER 31, 2006

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Public safety	\$ 242,014	\$ 40,668	\$ 231,189	\$ 40,000	\$ 69,843	\$ 0	\$ 69,843
Total Governmental Activities	242,014	40,668	231,189	40,000	69,843	0	69,843
Total Primary Government	<u>\$ 242,014</u>	<u>\$ 40,668</u>	<u>\$ 231,189</u>	<u>\$ 40,000</u>	<u>69,843</u>	<u>0</u>	<u>69,843</u>
General Revenues							
Miscellaneous					60	0	60
Transfers					0	0	0
Total General Revenues-Special Items and Transfers					60	0	60
Change in Net Assets					69,903	0	69,903
Net Assets-Beginning					0	0	0
Net Assets-Ending					<u>\$ 69,903</u>	<u>\$ 0</u>	<u>\$ 69,903</u>

The Notes to Financial Statements are an integral part of this statement.

**ALLEGAN FIRE DISTRICT
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2006**

	General Fund	Capital Equipment Fund	Governmental Fund	Total
ASSETS				
Cash and cash equivalents	\$ 64,474	\$ 0	\$ 0	64,474
Investments	0	0	0	0
Receivables - net	4,405	0	0	4,405
Due from other funds	0	40,000	0	40,000
Prepays	6,195	0	0	6,195
Total Assets	75,074	40,000	0	115,074
LIABILITIES				
Accounts payable	1,671	0	0	1,671
Due to other funds	40,000	0	0	40,000
Deferred revenue	3,500	0	0	3,500
Total Liabilities	45,171	0	0	45,171
FUND BALANCES				
Reserved for				
Equipment purchases	0	40,000	0	40,000
Unreserved	29,903	0	0	29,903
Total Fund Balances	\$ 29,903	\$ 40,000	\$ 0	\$ 69,903

Net Assets of Governmental Activities \$ 69,903

The Notes to Financial Statements are an integral part of this statement.

ALLEGAN FIRE DISTRICT
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
DECEMBER 31, 2006

	General Fund	Capital Equipment Fund	Total Governmental Funds
Revenues			
Grants	\$ 0	\$ 0	\$ 0
Contributions from local units	231,189	40,000	271,189
Cost recovery charges	4,405	0	4,405
Service contracts	36,263	0	36,263
Interest and rentals	0	0	0
Donations	0	0	0
Other revenue	60	0	60
Total Revenues	271,917	40,000	311,917
Account Description			
Current			
Public safety	242,014	0	242,014
Capital outlay	0	0	0
Total Expenditures	242,014	0	242,014
Excess of Revenues Over (Under)			
Expenditures	29,903	40,000	69,903
Other Financing Sources (Uses)			
Transfers in	0	0	0
Transfers (out)	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenue and Other Sources Over (Under)			
Expenditures and Other Uses	29,903	40,000	69,903
Fund Balance- beginning	0	0	0
Fund Balance-ending	<u>\$ 29,903</u>	<u>\$ 40,000</u>	<u>\$ 69,903</u>

The Notes to Financial Statements are an integral part of this statement.

**ALLEGAN FIRE DISTRICT
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Allegan Fire District was created, effective March 1, 2006, pursuant to the provisions of the State of Michigan's Public Act 33, of 1951, as amended, for the purpose of providing fire protection and related services for the City of Allegan and the Township of Allegan. A Joint Fire Administrative Board, the Allegan Fire District Fire Board, was created to administer and serve the Allegan Fire District as defined in its agreement.

The accounting policies of the Allegan Fire District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. The Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Fire District's Activity. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**ALLEGAN FIRE DISTRICT
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Equipment Fund is a Special Revenue Fund of the Fire District. The Capital Equipment Fund is used to account for the proceeds of specific revenue that are legally restricted to expenditures for specified purposes.

**ALLEGAN FIRE DISTRICT
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule would be charges between the government's enterprise funds and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Fire District does not have enterprise funds.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown as net of allowance for uncollectible amounts.

**ALLEGAN FIRE DISTRICT
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Inventories and Prepaid Items-Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 to 40 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Fire Equipment & Fire Trucks	07 to 25 years
Vehicles	03 to 05 years
Office Equipment	05 to 07 years
Computer Equipment	03 to 07 years

All equipment purchased by the Allegan Fire District shall be the property of the District. Generally, all items and equipment transferred by the participating municipalities for use by the District shall remain the property of the respective participating municipality and lease for all such equipment and items shall be executed between the participating municipality and the District for the annual sum of One Dollar, which lease shall end upon expiration of the agreement. If withdrawal by participating municipalities, then purchased assets are refunded by the District, based on the cost-weighted formula for the last fiscal year that the municipality was part of the Fire District.

Fund Equity-In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**ALLEGAN FIRE DISTRICT
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Government-wide financial statements do not differ from the Governmental fund financial statements. No debt or fixed assets are recorded by the Fire District.

Governmental Fund Balances	\$ 69,903
Net Assets of Governmental Activities	<u>\$ 69,903</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information-The Fire District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year. These budgets are adopted on a basis consistent with generally accepted accounting principles.
2. The Board approves, by ordinance, total budget appropriations only. Any revisions that alter the total appropriations of any fund must be approved by the Board, therefore, the level of budgetary responsibility is by total appropriations however, for report purposes, this level has been expanded to a functional basis (Public Safety).
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year the Local Government Unit did exceed the budget in three line items:

	<u>Budget</u>	<u>Actual</u>
Benefits	14,470	18,138
Repair & Maintenance/fuel	29,700	35,014
Legal and professional	3,500	5,241

Fund Deficits-The Local Governmental Unit has no accumulated fund balance deficits at this time.

**ALLEGAN FIRE DISTRICT
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 4 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated several banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 64,474	\$ 64,474

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 64,474
Investments in Securities, Mutual Funds and Similar Vehicles	-
Petty Cash and Cash on Hand	-
Total	<u>\$ 64,474</u>

The bank balance of the primary government's deposits is \$64,474 of which \$64,474 is covered by federal depository insurance.

**ALLEGAN FIRE DISTRICT
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major, nonmajor funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are reported in the Government Wide Statement of Net Assets as follows:

	Major Funds		
	General Fund	Capital Equip Fund	Total
Fire Calls Receivable	\$ 16,206	\$ 0	\$ 16,206
Due from other funds	0	0	0
Less: allowance for uncollectibles	(11,801)	0	(11,801)
Net Receivables	<u>\$ 4,405</u>	<u>\$ 0</u>	<u>\$ 4,405</u>

NOTE 6 - CAPITAL ASSETS

Capital Assets purchased by the Allegan Fire District are owned by the Fire District. The Fire District has no authority to levy any tax or to issue any bond or to indebted the participating municipalities except to enforce the agreed upon contributions. The participating municipalities can each raise necessary monies as they see fit according to law.

The Allegan Fire District did not purchase any capital assets during the fiscal period of audit.

**ALLEGAN FIRE DISTRICT
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 7 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

The composition of interfund balances is as follows:

Due To/From Other Funds		Payable Fund	Amount
<u>Receivable Fund</u>			
Capital Equipment Fund	<u>\$ 40,000</u>	General	<u>\$ 40,000</u>
Total	<u><u>\$ 40,000</u></u>		<u><u>\$ 40,000</u></u>

Interfund Transfers

	<u>Transfers (Out)</u>		
		Non-Major	
<u>Transfers In</u>	<u>General</u>	<u>Governmental</u>	<u>Total</u>
	<u>Fund</u>	<u>Funds</u>	
Capital Equipment Fund	<u>\$ 0</u>	<u>\$ 0</u>	<u><u>\$ 0</u></u>
Total	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

**ALLEGAN FIRE DISTRICT
ALLEGAN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 8 - LOCAL UNIT CONTRIBUTIONS & CONTRACT REVENUES

The annual approved budget for operations and capital equipment reserves is supported by contributions from the member units of the Fire District in proportion to their respective share - determined by a formula that incorporates population, taxable value, percentage of fire runs in a unit's area, etc. The City of Allegan contributed a total of \$153,492, which includes \$22,640 in capital equipment restrictions. The Township of Allegan contributed a total of \$117,697, which includes \$17,360 in capital equipment restrictions.

The Fire Board also provides services to the Townships of Monterey, Valley, Trowbridge and Cheshire (non member units).

NOTE 9 - COST RECOVERY ORDINANCE

The Fire District approved a cost recovery ordinance, allowing the district to bill persons, entities, and corporations determined to be responsible for certain assessable services, including materials, equipment, manpower, administration and other costs, including those for injuries or damage to people or property to the situation to which the Allegan Fire District responded.

NOTE 10 - REAL PROPERTY LEASE AGREEMENTS

The Allegan Fire District leases two fire stations, one each from the City of Allegan and the Township of Allegan. The initial building lease, beginning December 7, 2006 and ending December 2016, is renewable for an additional ten year period. For each location, lease payments of One Dollar are due annually on November 1st. The Allegan Fire District is responsible for building utilities, repair and maintenance.

REQUIRED SUPPLEMENTAL INFORMATION

**ALLEGAN FIRE DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2006**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Resources (Inflows)				
Grants	0	0	0	0
Contributions from local units	285,425	285,425	231,189	(54,236)
Cost recovery charges	10,000	10,000	4,405	(5,595)
Service contracts	20,000	20,000	36,263	16,263
Interest and rentals	0	0	0	0
Donations	0	0	0	0
Miscellaneous revenues	0	0	60	60
Transfers from other funds	0	0	0	0
Amounts Available for Appropriation	315,425	315,425	271,917	(43,508)
Charges to Appropriations (Outflows)				
Public Safety				
Salaries	70,000	70,000	55,000	15,000
Payroll taxes	6,355	6,355	4,806	1,549
Benefits -health, w/c, disb. ins	14,470	14,470	18,138	(3,668)
Firemans labor	100,000	100,000	84,981	15,019
Membership dues	3,000	3,000	0	3,000
Operating supplies	10,000	10,000	4,406	5,594
Utilities	18,500	18,500	8,220	10,280
Contracts/radio/uniforms	10,500	10,500	4,250	6,250
Repair & maintenance/fuel	29,700	29,700	35,014	(5,314)
Rentals	2,400	2,400	1,100	1,300
Fitness/training expense	6,000	6,000	682	5,318
Insurance -general	30,000	30,000	19,069	10,931
Legal and professional	3,500	3,500	5,241	(1,741)
Miscellaneous/bank service charges	2,000	2,000	1,107	893
Capital outlay				
Other capital outlay	9,000	9,000	0	9,000
Total Charges to Appropriations	315,425	315,425	242,014	73,411
Budgetary Fund Balance-December 31	\$ 0	\$ 0	\$ 29,903	\$ 29,903

**ALLEGAN FIRE DISTRICT
BUDGETARY COMPARISON SCHEDULE
CAPITAL EQUIPMENT FUND
YEAR ENDED DECEMBER 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Beginning of Year Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Resources (Inflows)				
Contributions from local units	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>0</u>
Amounts Available for Appropriation	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>0</u>
Charges to Appropriations (Outflows)				
Public Safety				
Capital Outlay	0	0	0	0
Transfers to General Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Charges to Appropriations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Budgetary Fund Balance-December 31	<u><u>\$ 40,000</u></u>	<u><u>\$ 40,000</u></u>	<u><u>\$ 40,000</u></u>	<u><u>\$ 0</u></u>

ANGLE & STEFFES, P.C.

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May 23, 2007

Members of the Board
Allegan Fire District
Allegan, MI 49010

We have audited the books and records of the Allegan Fire District, as of and for the ten month period ended December 31, 2006.

In conjunction with our audit, and based on inquiries of management, as well as observations, we offer the following comments and recommendations for your consideration.

Fireman's Payment For Services

The Fire District pays its fire chief and deputy fire chief as W-2 employees. The volunteer firemen are currently being paid as subcontract laborers. We feel that the current treatment of the volunteer firemen as subcontract laborers should be evaluated against the Internal Revenue Service rules and regulations for employees versus subcontractor reporting. The areas of behavioral control which looks at control of schedules and training, financial control as it relates to the ownership of equipment, and the relationship tests all could lead the Internal Revenue Service to reclassify the subcontract laborer payments as employee wages. The prior treatment of these volunteer firemen as employees by the City of Allegan and the Township of Allegan could be reviewed by the Internal Revenue Service.

The current treatment of the volunteer firemen as subcontract laborers should be reviewed by management as the risk of recharacterization by the Internal Revenue Service to employees exists. This would mean that the Allegan Fire District would be subject to payroll taxes for these payments made to the volunteer firemen. The change to employee treatment from subcontract laborer by the Allegan Fire District should be reviewed immediately.

Budget Reporting

The budget approved by the Board for the period ending December 31, 2006 represents amounts for a twelve month period. The Allegan Fire District was in operation for a period of ten months. We have presented the budget in the audited financial statements using the budget as approved by the Board. We have observed in the minutes that the budget is evaluated by the Board at its monthly meetings. We would recommend that the Board review the budget and make any amendments to the budget prior to year-end to demonstrate that the Board has fulfilled its fiscal responsibility. The internal financial statements should be updated to include this budget to actual review as of the report dates.

Public Act 621 of 1978, section 18(1) as amended, provides that the Fire District shall not incur expenditures in excess of the amount appropriated.

During the ten months ended December 31, 2006, the Fire District incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

	<u>Budget</u>	<u>Actual</u>
Benefits (health, w/c, disb. ins)	14,470	18,138
Repair & maintenance/fuel	29,700	35,014
Legal and professional	3,500	5,241

Capital Equipment Fund

The City of Allegan and Allegan Township each contribute funds for the Fire District's normal operations as well as funds restricted for the future purchase of new fire equipment. These restricted funds should be accounted for in the ledgers, so as to distinguish from the normal general operating funds.

Segregation of Duties

We recommend periodic reviews of the bank reconciliations and transaction processing in order to maintain strong internal controls over cash receipts and disbursements. We note that the Board approves disbursements and financial statements at each Board meeting.

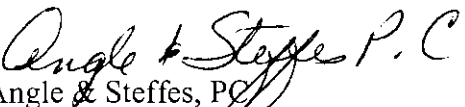
Non-Interest Bearing and Insured Funds

As of the audit date, the Allegan Fire District held one non-interest bearing checking account. We recommend that this account be converted to interest bearing. The checking account balance was within the federally insured level as of December 31, 2006. Subsequent to the audit date, a certificate of deposit was opened for future equipment purchases. This deposit is also within the federally insured limit. We recommend that no more than \$ 200,000.00 be maintained in any one bank and that no more than \$ 100,000.00 be maintained in each account type (savings and demand accounts) in order to avoid risk of uninsured losses that may occur.

Other Matters

In general, the Board's books and records are in acceptable condition. All management functions are performing at an acceptable level of reliability. We greatly appreciate the complete cooperation of all the management personnel.

Respectfully submitted,


Angle & Steffes, P.C.
Certified Public Accountants